BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-320-E

In the Matter of:	)	
	)	
Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC to Establish Green Source Advantage Programs and Riders GSA	)	**REPLY COMMENTS OF DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC**
	)	

Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, the "Companies") respectfully submit these Reply Comments to the Public Service Commission of South Carolina (the "Commission") in support of the Companies' Green Source Advantage Programs ("GSA Programs" or the "Programs") and DEC's Rider GSA and DEP's Rider GSA-2 ("GSA Tariffs") as filed in this docket on October 10, 2018. The Companies' Reply Comments respond to the initial comments filed on January 7, 2019, by the Office of Regulatory Staff ("ORS"), Walmart, Inc. ("Walmart"), South Carolina Solar Business Alliance, Inc. ("SCSBA"), as well as the joint comments filed by South Carolina Coastal Conservation League ("CCL") and Southern Alliance for Clean Energy ("SACE," and together with CCL, "SACE/CCL").

BACKGROUND

On October 10, 2018, the Companies filed an Application for approval of DEC's and DEP's GSA Programs ("Application"). The Application contained a request for waiver of notice or hearing pursuant to S.C. Code Ann. § 58-27-870(F). On October 30, 2018, the ORS filed a letter with the Commission requesting that interested parties be allowed until November 30, 2018, to provide comments in this docket. The Companies filed a letter of no objection with the Commission on November 7, 2018, and requested the opportunity to respond to comments received. On November

1, 2018, the Commission issued Order No. 2018-735 denying the Companies' request for waiver of notice and holding in abeyance the request for waiver of hearing pending the completion of the intervention period. In its Notice of Filing issued November 8, 2018, the Commission set an intervention deadline of December 17, 2018. On November 26, 2018, SCSBA filed a Request for a Date Certain to File Comments. On November 27, 2018, the Commission issued Order No. 2018-178-H setting the comment deadline on January 7, 2019, with the Companies' reply comments due 21 days later, on January 28, 2019.

Prior to the intervention deadline, Petitions to Intervene were filed by SACE/CCL, SCSBA and Walmart[1] (collectively, the "Intervenors"). Comments were filed by the ORS and all Intervenors on January 7, 2019, (collectively, the "Intervenor Comments"), and the Companies hereby provide reply comments thereto.

OPPOSITION TO SCSBA'S REQUEST FOR EXTENSION OF TIME TO ALLOW FOR ADDITIONAL REPLY COMMENTS

Prior to addressing the generally-supportive comments of the ORS and Interveners, the Companies address SCSBA's procedural request to the Commission to allow for an additional round of comments after the North Carolina Utilities Commission ("NCUC") issues an Order on the North Carolina Green Source Advantage Programs ("NC GSA Programs"). In a letter filed with the Commission today, January 28, 2019, the Companies filed a response to the SCSBA's request for extension of time to allow for additional reply comments, and out of an abundance of caution for clarity in the record, the Companies incorporate herein their response set forth in the January 28, 2019, letter.

[1] Granted by Order Nos. 2018-731, 2018-732 and 2018-753.

Specifically, SCSBA requests an additional 60 days to file further comments in this proceeding to provide parties time to review the NCUC order on the NC GSA Programs and provide comments in this proceeding based on the NCUC order. As an initial matter, it is important to acknowledge that the January 7, 2019, comment deadline in this proceeding was actually set at SCSBA's request. SCSBA's requested extension in this proceeding is unnecessary and would significantly delay this proceeding without just cause. Although the Companies are proposing similar green source advantage programs in both states, the programs are completely independent of one another, and the outcome of the NCUC proceeding does not impact the South Carolina GSA Programs proposed to this Commission. SCSBA contends that the "level of scrutiny received" by the NC GSA Programs justifies its requested extension of time. However, the "level of scrutiny received" in the NCUC proceeding does not concern this program, as the SC GSA Programs are independent of the NC GSA Programs.[2] Thus, the NCUC proceeding has no bearing on the instant proceeding, and the parties to that proceeding and issues raised in that proceeding are unique to the NC GSA Program and the jurisdiction of the NCUC.

Moreover, the NC GSA Programs are being implemented pursuant to recently-enacted North Carolina session law 2017-192 (often referred to as "House Bill 589"), which includes a suite of renewable energy programs that the NCUC is currently in the process of implementing. As such, the NCUC proceeding contains unique statutory considerations which are not present in this proceeding. Further, given that DEC and DEP each serves customers in both states, it is not uncommon for similar proceedings to be ongoing at the NCUC and this Commission at the same time. The Companies are not aware of any other instance in which the Commission has delayed its own proceeding in order to

[2] Comments of the South Carolina Solar Business Alliance, Inc. and Request for Additional Time to File Comments, at p. 1-2, Docket No. 2018-320-E (Jan. 7, 2019) ("SCSBA Comments").

provide parties time to provide additional "final comments" subsequent to an order being issued by another commission. This Commission is, of course, free to wait to issue its decision in this proceeding until after the NCUC order is issued and to be informed by the outcome of that proceeding. But, to extend the comment period in this proceeding in order to allow the Intervenors to provide an additional round of comments on the NCUC order would be unprecedented and would unnecessarily delay this proceeding without good cause.

REPLY COMMENTS

As described in the Companies' Application, the Companies created the GSA Programs at the request of their larger, more sophisticated commercial and industrial ("C&I") customers, in order to assist these customers in achieving their renewable energy goals, while at the same time holding non-participating customers financially neutral from the cost of procuring additional energy under GSA Program. The Intervenor Comments are generally supportive of the Companies' Programs, and the Companies respond below to the specific comments of each intervenor.

A. ORS's Comments Support the GSA Programs

The comments filed by ORS are supportive of the GSA Programs and provide several recommendations, which the Companies agree to adopt, as described herein. With regard to interconnection requests, pursuant to the South Carolina Generator Interconnection Procedures ("SCGIP"), the Companies will process and evaluate all interconnection requests in the Companies' interconnection queues in a nondiscriminatory manner, regardless of whether any of the projects associated with the interconnection requests intend to participate in the GSA Programs. An interconnection request associated with a renewable energy facility dedicated to the GSA Programs ("GSA Facility") is not entitled to treatment under the SCGIP any different than all other

interconnection requests.[3] Additionally, the Companies agree that the GSA Program is separate and distinct from the Companies' Distributed Energy Resource Programs, and that the GSA Program will not delay or interfere with the Companies' progress toward those statutory goals.

Further, the Companies agree to file the GSA Power Purchase Agreements ("GSA PPAs") in the same manner that PURPA power purchase agreements are filed pursuant to Commission Order No. 81-214. The Companies also agree to provide an update to the Commission at the conclusion of the North Carolina docket on this matter. Finally, the Companies agree to make the proposed modifications to the GSA Tariffs as set forth in ORS's comments. These changes are illustrated in red-lined and clean versions of the GSA Tariffs included herein as Attachment 1.

B. Walmart's Comments Support the GSA Program

The comments filed by Walmart are generally supportive of the GSA Program. Walmart expresses concern over the application of the GSA Administrative Charge and the potential for it to unfairly disadvantage customers with multiple sites and multiple meters at a single site.[4] Walmart recommends that the Commission adopt language agreed to by the Companies in the NCUC proceeding considering the NC GSA Programs,[5] which allows for the allocation of capacity, GSA Product Charge, Bill Credit, and Administrative Charge among various accounts for GSA Service Agreements that cover multiple accounts under the control of a single GSA participating customer. The Companies agree to adopt the language requested by Walmart, which is shown in the revisions to the GSA Tariffs in Attachment 1.

[3] For the avoidance of doubt, the approvals and waivers granted by the Commission in Order No. 2018-803(a) related to the Companies' implementation of the Competitive Procurement of Renewable Energy Program grouping study evaluation process in South Carolina and are not applicable to interconnection customers participating in the GSA Program.
[4] Initial Comments of Walmart, Inc., at p.4-5, Docket No. 2018-320-E (Jan. 7, 2019) ("Walmart Comments").
[5] North Carolina Utilities Commission, Docket Nos. E-2, Sub 1170 and E-7, Sub 1169.

Walmart additionally recommends that the NC GSA Programs and the GSA Programs under consideration in this docket go into effect simultaneously. As described earlier herein, the NC GSA Programs are completely separate programs from the Programs the Companies are requesting to implement in South Carolina. To require the Companies to delay the implementation of either state's GSA Programs in order to align with the other state would be inefficient and overly restrictive. To the extent the NCUC order on the NC GSA Programs occurs near the same time as a favorable order from this Commission, the Companies are not opposed to aligning the implementation of the programs, but the Companies do not believe the Commission should require alignment with the NC GSA Programs.

C. The Companies Agree to Lower the GSA Programs' Eligibility Threshold

The Companies' Application proposed that GSA Program participants have a contract demand equal to at least 3 megawatts ("MW") at a single location or an aggregate contract demand of 5 MW at multiple locations to qualify for participation.[6] In response to comments from SCSBA and SACE/CCL regarding the eligibility threshold, the Companies agree to reduce the 3 MW contract demand to 1 MW to allow for broader participation. These changes are illustrated in red-lined and clean versions of the GSA Tariffs included herein as Attachment 1.

D. Filing of GSA Service Agreement and PPA

SACE/CCL and SCSBA argue that the GSA Service Agreement should be filed for review in this proceeding. As the Companies explained in the Application, the GSA Service Agreement is a three-way agreement among DEC or DEP, as applicable, the GSA participating customer and the supplier of the renewable energy facility ("Renewable Supplier"), that will set forth certain

[6] Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC to Establish Green Source Advantage Programs and Riders GSA, at ¶ 8, Docket No. 2018-320-E (Oct. 10, 2018) ("Application").

terms of the transaction.[7] Given the number of variables that will likely arise amidst negotiations among the three parties, the GSA Service Agreement is not intended to be a *pro forma* agreement. Moreover, the majority of issues anticipated to be addressed through the GSA Service Agreement are addressed in the GSA Tariffs, which the Companies have filed for review and approval by the Commission. SCSBA also argues that the GSA PPAs should be filed for review. Consistent with ORS's request, the Companies will file all GSA PPAs with the Commission as described in Section A above.

E. Additional Comments from SACE/CCL

The Companies address the comments from SACE/CCL related to the GSA Bill Credit and the Programs' eligibility in Sections F and C, respectively. The Companies address the remainder of the comments from SACE/CCL in this Section. SACE/CCL requests that the Companies explain how the 150 MW of renewable energy capacity to be procured pursuant to the Programs will interact with the capacity procured pursuant to the NC GSA Programs that can potentially be sited in South Carolina.[8] The Companies clarify that the capacity procured pursuant to the Programs in this state will be additional to any capacity procured pursuant to the NC GSA Programs.

Additionally, SACE/CCL recommends that the GSA Programs should allow participating customers to procure up to 125% of those customers' energy usage, as opposed to 125% of the customers' contract demand, as proposed by the Companies.[9] SACE/CCL points out, and the Companies agree, that GSA participating customers procuring 125% of their maximum annual peak demand may not be able to meet institutional renewable energy goals.[10] However, the GSA

[7] Application, at ¶ 13.
[8] Initial Comments on behalf of the South Carolina Coastal Conservation League and the Southern Alliance for Clean Energy, pp. 4-5, Docket No. 2018-320-E (Jan. 7, 2018) ("SACE/CCL Comments").
[9] *Id.* at p. 8.
[10] *Id.*

Programs are not designed to singularly meet GSA participating customers' renewable goals. The Companies believe that nonresidential customers likely employ a number of mechanisms to achieve their renewable energy goals, particularly those with 100% renewable energy goals, as mentioned in SACE/CCL's comments. Moreover, allowing potential GSA participating customers to subscribe to 125% of their energy usage could unfairly limit program participation to several very large customers. For example, if a customer has a contract demand of 3 MW, and their operations were active 24 hours each day and 7 days each week, their annual energy usage is likely to be approximately 26,280 MWh per year (3 MW * 8,760 hours). Under SACE/CCL's proposal, this customer would be allowed to contract for approximately 18.75 MW of capacity.[11] Adopting this recommendation would significantly reduce the number of customers permitted to participate in the program. Even under the very conservative example of a customer with a contract demand of 3 MW (the Companies expect participation from a number of customers with contract demand well over 3MW), only eight customers would be allowed to participate in the Programs. Therefore, the Companies do not support this change to the GSA Programs' design.

Additionally, SACE/CCL recommends that the Companies allow GSA PPAs with contract lengths that are consistent with the requirements of House Bill 589 (from two years to 20 years in length).[12] The Companies' Application sets forth that the maximum contract length for GSA PPAs would be 15 years.[13] Notably, no solar developer or customer eligible to participate in the GSA Program has provided any comment to indicate that the 15-year term is insufficient. The Companies agree to offer a variety of contract lengths, to be selected by the GSA participating customer and

[11] Assuming a solar capacity factor of 20%, the total MW to achieve 26,280 MWhs would be as follows: 15 MW * 20% Solar Capacity Factor * 8,760 hours a year = 26,280 MWh. Additionally, after applying the 125% limit, the 15 MW would be increase to 18.75 MW [15 MW * 125%].
[12] SACE/CCL Comments, at p. 9.
[13] Application, at ¶ 9.

the Renewable Supplier, but believe the maximum term of contract length should be 15 years. The Companies believe offering contract lengths from two to 15 years will provide sufficient options for GSA participating customers. Contrary to SACE/CCL's comment that 20-year contracts will more closely align to the useful life of GSA Facilities[14], the Companies' intent in offering the GSA Programs is not to provide contracts for the entirety of the useful life of the GSA Facilities. The Companies believe that 15-year maximum term GSA PPAs is a reasonable contract length in this transaction that will achieve the participating GSA customers' needs.

F. The Hourly Rate GSA Bill Credit is Appropriately Designed to Fairly Credit GSA Participating Customers in a Manner that Protects for Non-Participating Customers

SACE/CCL and SCSBA raise issue with the manner in which the GSA Bill Credit is calculated under the Programs. As the GSA Program Application explains, participating GSA customers will receive a credit on their bills each month based on the solar production of the applicable GSA Facility(ies) ("GSA Bill Credit").[15] As an initial matter, it is important to point out that as proposed in the Programs, the GSA Bill Credit is paid to the participating GSA customer by the utility, and those costs are passed through to the utility's ratepayers under the fuel clause, in the same manner as other purchased power costs under PURPA. Accordingly, at issue is the credit that non-participating customers will pay for the energy procured pursuant to the Programs. Importantly, Renewable Suppliers are paid completely independently of the GSA Bill Credit, based on a price that is separately negotiated between the participating GSA customer and the Renewable Supplier, as set forth in the GSA Service Agreement. As a result, the question raised by SACE/CCL's and SCSBA's comments is what the appropriate price is for non-participating customers to pay and participating

[14] *Id.*
[15] Application, at ¶ 16.

GSA customers to receive as a GSA Bill Credit.

In order to ensure that non-participating customers are held financially neutral under the Programs, the GSA Bill Credit is calculated based upon each utility's day-ahead, real-time hourly rate ("Hourly Rate") for energy and capacity. Each utility's methodology for calculating the GSA Bill Credit and deriving the Hourly Rate is described in detail in the Bill Credit section of the respective GSA Tariffs, which were filed as Attachment A and Attachment B to the Companies' Application. The GSA Bill Credit Hourly Rate effectively represents each utility's system marginal cost or running cost (including both energy and capacity) of the unit available to serve the next increment of customer load during a given hour. Thus, under the Hourly Rate pricing mechanism, non-participating customers will essentially pay the exact same price for that megawatt hour of electricity that they otherwise would be paying absent the GSA Program.

Notably, the Hourly Rate calculation reflects the same marginal cost of generating electricity that is used in the Companies' real-time pricing rate schedules (DEC's Hourly Pricing Schedule HP and DEP's Large General Service Real Time Pricing Schedule LGS-RTP), which have previously been approved by the Commission and are also available to larger C&I customers in South Carolina. Contrary to SCSBA's assertions that the Hourly Rate fails to "adequately value[] capacity and other grid services,"[16] the Hourly Rate represents the utility's actual hourly marginal cost of energy and capacity that will be avoided during a given hour, in the same manner as other available real-time pricing schedules today.

The Companies also note that the Hourly Rate credit is also very similar to the hourly billing credit available under Georgia Power Company's approved green tariff program, the C&I REDI

[16] SCSBA Comments, at p. 6.

Program.[17] Specifically, participants of the C&I REDI Program are provided "hourly credits at the actual hourly running cost of incremental generation," procured on the participating customers' behalf.[18] Consistent with the Companies' Hourly Rate methodology, the hourly credits under the Georgia Power Company program represent the "actual hourly running cost of incremental generation," which is generally comparable to the day-ahead, real-time hourly rates at the utility's marginal cost, *i.e.* the Hourly Rate.

a. The Hourly Rate Bill Credit Provides Sufficient Transparency and Certainty to the Large Commercial and Industrial Customers

In its comments, SACE/CCL argue that under the Hourly Rate structure, the GSA participating customer would not know how much it will receive through the GSA Bill Credit, which will create financial uncertainty for participating customers and may limit participation in the Programs.[19] The Companies disagree with these characterizations. First, the Companies have provided and will provide potential participating customers with the detailed calculation of the GSA Bill Credit and historical day-ahead hourly pricing.[20] This hourly-pricing data will provide potential participating customers transparency into the calculation of the Hourly Rate and what the Companies' actual day-ahead, real-time hourly rate has been over the past year. The Companies understand SACE/CCL's concern that financial risk may be easier managed by larger, sophisticated customers, like Walmart.[21] However, it is important to recognize that the Companies voluntarily created the GSA Programs at the request of their larger, more sophisticated C&I customers, in order to assist

[17] *See Order Approving Renewable Energy Development Initiative Commercial and Industrial Program*, Docket No. 40161 (Aug. 9, 2017) ("Georgia Power C&I REDI Program Order").
[18] Georgia Power Commercial & Industrial REDI Schedule: CIR-1, at p. 2, GPSC Docket No. 40161 (filed July 20, 2017) (describing the Hourly Credit as "Hourly Credit Hr. = Company's actual hourly running cost of incremental generation per kWh").
[19] SACE/CCL Comments, at p. 5-6.
[20] The Companies' marginal cost of wholesale power is proprietary and, therefore, is only being provided to prospective GSA Customers interested in participating the GSA Programs, upon request.
[21] SACE/CCL Comments, at p. 6.

these customers in achieving their renewable energy goals, while at the same time holding non-participating customers financially neutral from the cost of procuring additional energy under GSA Program. There is no doubt that the Programs are comprised of complex transactions, involving three parties and multiple payment streams. But based upon initial interest shown from GSA Program-eligible South Carolina customers, the Companies do not anticipate that complexities associated with the GSA Billing Credit, or the Programs as a whole, will adversely affect customer participation. In addition, the Companies are aware that Georgia Power's similarly-designed hourly rate credit discussed above has not impaired participation in the C&I REDI Program. In April 2018, less than a year after opening the C&I REDI Program, Georgia Power reported to the Georgia Public Service Commission and has posted to its Company website that its C&I REDI Program is fully subscribed, evidencing customers' acceptance of the hourly rate credit methodology.[22] Moreover, customers electing not to pursue a GSA arrangement can opt to participate in several other renewable offerings by the Companies, including net metering, solar leasing, and/or community solar programs under the Companies' Distributed Energy Resource Programs.[23]

b. Calculating the Bill Credit Based on Administratively-Established Long-Term Fixed Avoided Cost Shifts Risk From the GSA Participating Customer to all Other Non-participating Customers

CCL/SACE argue that the Companies should be required to create an additional optional GSA Bill credit based on the Companies' "applicable Commission-approved avoided cost rate, fixed for the duration of the [GSA PPA]."[24] SCSBA similarly advocates that the Commission require an

[22] *Order Approving 2018/19 Renewable Energy Development Initiative Power Purchase Agreements for the Commercial and Industrial Program*, at ¶ 3, Docket No. 41734 (Apr. 3, 2018); *see also* C&I REDI, Georgia Power (2018), *available at* https://www.georgiapower.com/company/energy-industry/energy-sources/solar-energy/solar/c-and-i-redi.html (last visited Jan. 23, 2019) (stating that C&I REDI "has been fully subscribed and is not available for new applicants.").

[23] See Order Addressing Distributed Energy Resource Program and Approving Settlement, Order No. 2015-514, Docket Nos. 2015-53-E, 2015-55-E (July 15, 2015).

[24] SACE/CCL Comments, at p. 6; SCSBA Comments, at 6.

"Alternative Bill Credit that is based on its administratively-determined avoided costs and fixed for an initial period equal to the shorter of (i) the term of the GSA Service Agreement, (ii) ten years, or (iii) such shorter period as may be mutually agreed to by Duke and the GSA Customer."[25] To support these alternative Bill Credit recommendations, CCL/SACE and SCSBA contend that administratively-determined avoided costs will achieve the Companies' objective of holding non-participating customers neutral from the cost of energy and capacity procured from GSA Facilities.[26]

The Companies disagree that calculating the GSA Bill Credit based upon DEC's or DEP's long-term fixed forecasted avoided cost will hold non-participating customers harmless. While the Companies recognize that the long-term fixed avoided cost calculation pursuant to PURPA has always been intended to hold customers neutral from purchases of power from Qualifying Facilities ("QFs"), calculating the GSA Bill Credit in this manner is inherently risky for customers because it is based on long-term forecasts and estimates of the utility's avoided cost instead of the utility's actual avoided cost of energy at the time the generation is being produced.

The long-term fixed forecasted avoided cost that SACE/CCL and SCSBA believe non-participating customers should pay is calculated based on an estimation of the Companies' avoided energy and avoided capacity costs over the course of the contract term, and the rate is fixed at the time the contract is entered into for the duration of the contract. Under SACE/CCL's request for 20-year GSA PPAs, the avoided energy and avoided capacity cost paid by non-participating customers would be based upon forecasts and assumptions about the cost of power 20 years into the future and then would be locked in for the full 20-year period. As the Companies' actual avoided costs evolve based on changing market conditions, the fixed forecasted rates paid by non-participating customers

[25] SCSBA Comments, at p. 7.

[26] SCSBA Comments, at p. 5 ("administratively-determined avoided cost is a benchmark meant to ensure that customers are held financially neutral when the utility purchases power from an independent power producer instead of generating it at utility-owned facilities")

become less accurate. When costs to either produce electric power or to purchase power are in decline, such as the Companies have experienced in recent years due to significant declines in natural gas and electric power costs, non-participating customers are exposed to the significant risk that the utility is paying avoided cost rates to GSA participating customers that greatly exceed the Companies' actual incremental cost of alternative capacity and energy, The Hourly Rate proposed by the Companies will always be a more accurate calculation of the Companies' actual avoided cost because it represents the cost of the unit available to serve the next increment of customer load during a specific hour as determined on the prior day. This approach removes any risk to non-participating customers that they are paying stale, inaccurate prices for power under the Programs.

The Companies' own experiences with administratively-established, long-term fixed avoided cost contracts have demonstrated that as natural gas prices continue to decline, the avoided cost rate set in the contract significantly differs from the actual, present-day avoided cost. For example, the Companies have long-term PPAs with Commission-set avoided cost rates at approximately $60 per MWh, while the Companies' current, actual system incremental "avoided" costs are approximately $30 per MWh. Other states are also experiencing the challenge of QF power based upon administratively-derived fixed long-term avoided cost rates being cost-effective where market costs and circumstances have changed. For example, the Florida Public Service Commission recently approved a request by the Companies' affiliated utility in Florida to pay a QF $34.5 million to terminate the remaining 5 years of its 30 year contract because the fixed forecasted prices under the contract significantly exceeded the utility's now-prevailing marginal cost of alternative generation.[27] Similarly, the NCUC recently highlighted the importance of "providing protection to ratepayers from

[27] *Order Approving Termination of Power Purchase Agreement between Duke Energy Florida, LLC and Ridge Generating Station, L.P.*, Order No. PSC-2018-0532-PAA-EQ, FLPSC Docket No. 20180152-EQ (Nov. 13, 2018).

overpayment risk . . .” as part of its rationale for limiting longer-term avoided cost contracts and evolving PURPA implementation in that state.[28]

The National Association of Regulatory Utility Commissioners (“NARUC”) has recently raised this precise concern associated with forecasting longer-term avoided cost rates to both Congress and the Federal Energy Regulatory Commission (“FERC”). NARUC president Travis Kavulla testified before the U.S. House Committee on Energy and Commerce in January 2018 that “PURPA requires that States forecast a utility’s avoided cost into the future for the purpose of offering QFs a long-term contract at administratively determined rates. This type of administrative pricing essentially requires States to guess at future market prices, allowing QFs to lock in rates that often substantially overstate the actual avoided cost.”[29] The NARUC testimony pointed to Idaho and Montana where “administratively forecast avoided-cost rates have dramatically overstated the actual market price of electricity.”[30] NARUC also recently highlighted overpayment concerns in letters to FERC calling for national PURPA policy reform designed to “move away from the use of administratively determined avoided costs to their measurement through competitive solicitations or market clearing prices.”[31]

Returning to the GSA Programs now before the Commission, the Companies use of its hourly marginal cost to calculate the GSA Bill Credit will more appropriately reflect the actual market cost

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[28] *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*, at p. 38, NCUC Docket No. E-100, Sub 148 (Oct. 11, 2017).

[29] *Legislation Addressing LNG Exports and PURPA Modernization, Hearing on H.R. 4476 Before the Subcomm. on Energy of the H. Comm. on Energy & Commerce***,** 108th Cong. 34-66 (Jan. 9, 2018) (statement of Travis Kavulla, Vice Chairman, Nat’l Assoc. of Reg. Utility Commissioners) (“NARUC Kavulla Congressional Testimony”); *see also* Regina L. Davis, *Montana’s Kavulla Testifies on Modernization of PURPA at Energy Hearing*, NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS (Jan. 19, 2018) *available at* https://www.naruc.org/about-naruc/press-releases/montana-s-kavulla-testifies-on-modernization-of-purpa-at-energy-hearing/.

[30] *See* NARUC Kavulla Congressional Testimony, at Footnote, 2 and Exhibits A and B.

[31] *See* National Association of Regulatory Utility Commissioners December 18, 2017 Letter to Federal Energy Regulatory Commission, Re: Public Utility Regulatory Policies Act of 1978 Regulatory Reform, at 2, accessible at: https://www.naruc.org/about-naruc/press-releases/naruc-pushes-for-purpa-reform-in-letterto-ferc/ (last visited Jan. 23, 2019).

of incremental energy over the term of the contract. Reliance on the Company's actual market cost of energy and capacity mitigates the risk of over-payment for non-participating customers—a primary goal of the GSA Program.

Finally, the Companies note that the comments filed by Intervenors in a North Carolina proceeding, upon which SCSBA relies, are immaterial to this South Carolina-specific proposal. The North Carolina and South Carolina proposals are distinct, and it is wholly inappropriate to rely on comments and positions from parties that are not Intervenors to this proceeding. Parties in this state have had an opportunity to intervene and provide comments, and those with interests in this proceeding have done so. The positions taken by the North Carolina parties related to the proposals made in that proceeding are beyond the proper scope of the proceeding before this Commission. The Commission should therefore give little weight to SCSBA's selected excerpts of pleadings and generalized characterizations of the positions of parties to the North Carolina docket. This is especially the case where the NCUC has not issued an order deciding the issues based upon the record before it.

To the extent the Commission considers these North Carolina-specific comments, the Companies also dispute the characterization by SCSBA that NCUC Public Staff advocated for reliance upon the longer-term, administratively-established avoided costs to determine the Companies' proposed GSA Bill Credit in North Carolina or otherwise. To the contrary, the Public Staff specifically noted overpayment risk concerns associated with long-term, forecasted avoided cost rates, and supported the Companies' GSA Bill Credit structure—i.e. the Hourly Rate structure—as agreed to by the Companies and Walmart and presented in the NC GSA Program docket.[32]

[32] Specifically, the Public Staff stated that that "to reduce the risk of forecast error, [ ] the initial term of the bill credit should not exceed 10-years, and also be subject to periodic refreshes or resets to ensure that the rate [stays] in alignment with current information on energy prices." Comments of Tim Dodge of the Public Staff, Transcript of Testimony for Hearing Held on September 4, 2018, in Dobbs Building, Raleigh, Vol. 1, at pp. 151-152, Docket Nos. E-

In sum, CCL/SACE's and SCSBA's additional GSA Bill Credit options do not hold nonparticipants neutral and instead result in increased risks of additional costs being assigned to non-participating customers. Of the four potential participating GSA customers that filed comments or letters of support in this docket, none expressed any concern regarding the calculation of the GSA Bill Credit.[33] Additionally, ORS, the entity charged with representing the interest of the using and consuming public in this proceeding, did not recommend any changes to the calculation of the Bill Credit.

For the foregoing reasons, the Companies' request the Commission reject their alternative GSA Bill Credit recommendation. The GSA Bill Credit calculated at the Hourly Rate appropriately credits the GSA participating customer and reflects the actual system marginal cost that would be avoided by directly procuring the GSA resource at the actual time the energy is generated and supplied to the GSA participating customer. In this way, the GSA Bill Credit accurately and appropriately credits GSA participants for offsetting their traditional energy supply with a renewable source, while also ensuring that no subsidization occurs either to or from participating or non-participating customers.

CONCLUSION

WHEREFORE, based on the foregoing and the information presented in the Application,

2, Sub 1170 and E-7, Sub 1169 (Sept. 18, 2018). The Public Staff went on to note that the NCUC might consider a bill credit based "on actual incremental generation cost to the utility similar to the Georgia [C&I REDI] Program that's very similar to the Wal-Mart proposal []," and further supported the Walmart proposal as "protective of non-participating customers." *Id.* Therefore, the Public Staff has shown support for the Companies' Hourly Rate proposal, and additionally agrees with the Companies' concerns surrounding establishment of a long-term, forecasted avoided cost rate to the GSA.

[33] In addition to Walmart's comments, discussed above, both Clemson University and First Quality Tissue have filed "Letters of Support," signaling interest in participating in the GSA Program. *See* Letter of Support on behalf of *Executive Vice President for Academic Affairs and Provost and co-Chairs of the Clemson University Sustainability Commission, Docket No. 2018-320-E (filed Nov. 26, 2018);* Letter of Support on behalf of First Quality Tissue SE, Docket No. 2018-320-E (filed Nov. 19, 2018); Letter of Support on behalf of Furman University, Docket No. 201-320-E (Oct. 29, 2018).

Duke Energy Carolinas, LLC and Duke Energy Progress, LLC respectfully request that the Commission reject SCSBA's request for an additional comment period and approve the GSA Program and GSA Program Tariffs as modified as presented through these Reply Comments.

Respectfully submitted this 28th day of January 2019.

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RIDER GSA-2
GREEN SOURCE ADVANTAGE (SC)

AVAILABILITY

This Green Source Advantage Program ("GSA Program" or "Program") is available, at the Company's option, to nonresidential customers meeting the eligibility criteria specified herein and receiving concurrent service on another rate schedule, excluding service under outdoor lighting schedules, who procure renewable energy pursuant to the terms of the GSA Program, as approved by the Commission. Eligibility for the Program is limited to nonresidential customers with a minimum Maximum Annual Peak Demand of ~~3~~1,000 kW or an aggregated Maximum Annual Peak Demand at multiple South Carolina service locations of 5,000 kW (collectively, "Eligible GSA Customers"). The Program is also limited to a total of 37 MW of renewable energy facilities in the Duke Energy Progress service territory ("Maximum GSA Program Capacity"). This Rider and the Program shall remain open to Eligible GSA Customers pursuant to the Program's terms and conditions, as approved by the Commission, for a period of eighteen months following initial Program approval of [**Date**].

PROCUREMENT OF GSA FACILITIES

The Program allows Eligible GSA Customers to request renewable energy and allows the Customer to obtain the renewable energy certificates ("RECs") generated by a GSA Facility or portfolio of GSA Facilities ("GSA Facility(ies)"). GSA Facility(ies) will not directly serve the GSA customers, but instead will be system supply resources used to serve all native load customers.

Customers seeking to participate in the Program shall identify and propose to the Company a GSA Facility(ies) offered by the GSA Facility's owner ("Renewable Supplier"). The Renewable Supplier will enter into a power purchase agreement ("GSA PPA") with the Company to supply all of the energy from the GSA Facility(ies). A GSA Facility must be a new renewable energy facility located in either North Carolina or South Carolina in the ~~Company's~~ same service territory as the GSA Customer ~~in either North Carolina or South Carolina~~ with supply that will be dedicated to the Program by the Renewable Supplier. The Customer will negotiate price terms directly with a Renewable Supplier, which shall include delivery of energy and capacity to the Company and transfer of the RECs generated by the GSA Facility(ies) to the Customer. As described below, the Renewable Supplier shall transfer RECs directly to the Customer through a separate contractual arrangement.

APPLICATION PROCESS AND GSA SERVICE AGREEMENT

To participate in the GSA Program, a Customer must submit an application to the Company during a GSA Program enrollment window, as described on the Company's Program website, identifying an annual amount of renewable capacity to be procured on behalf of the Customer. The Customer may request renewable generation capacity up to 125% of the Customer's aggregate Maximum Annual Peak Demand of the previous 12-month period prior to the date of application at eligible Customer service location(s) within the Company's South Carolina service territory.

The Application shall identify the requested contract term for the Customer's enrollment in the Program, which shall be up to fifteen (15) years. All Customer applications shall be accompanied by the payment of a $2,000 nonrefundable application fee. Program reservations will be accepted on a "first-come-first-served" basis based upon the date and time of receipt of the Customer's completed Application and application fee. Subsequent applications will be held until earlier applications are resolved and will not be rejected until the Company's Maximum GSA Program Capacity is satisfied. The $2,000 application fee will be refunded to the Customer only in the event that the Customer's application is rejected due to insufficient GSA Program Capacity.

A Customer submitting an application shall also be required to deliver, at the time of application, a standard-form term sheet executed by the Customer and Renewable Supplier, which shall identify the Renewable

Supplier and provide information about the proposed GSA Facility and other information as requested by the Company and identified in the term sheet.

The GSA Service Agreement shall include the general terms and conditions applicable under this Rider and shall specify the rates and charges applicable under the GSA Program for the contract term. The Customer and the Renewable Supplier must execute and return the GSA Service Agreement within 90 days of delivery by the Company and the Renewable Supplier must also execute and return the GSA PPA within 30 days of delivery by the Company. Failure by either the Renewable Supplier or the Customer to timely execute and return the GSA Service Agreement will result in termination of the Customer's application and GSA capacity reservation, which would then require the Customer to start the Program enrollment process anew to participate in the Program.

RENEWABLE ENERGY CREDITS

The GSA PPA delivered to a Renewable Supplier shall exclude the transfer of RECs to the Company, as discussed above. The RECs shall be transferred directly from the Renewable Supplier to the Customer pursuant to GSA Service Agreement between the Customer and the Renewable Supplier. The GSA Service Agreement shall obligate the Renewable Supplier to transfer the RECs generated by the designated GSA Facility to the NC RETS account identified by the GSA Customer. The Company shall not be responsible for procuring, delivering, or transferring RECs to the Customer or for the actual production of the GSA Facility(ies) and shall bear no liability to the Customer for the failure of the Renewable Supplier to perform its obligations.

MONTHLY RATE

An amount computed under the GSA Customer's primary rate schedule and any other applicable riders with which this Rider is used plus the sum of the following amounts:

1. GSA Product Charge – the energy produced by the GSA Facility in the prior billing month times the fixed rate for purchased power from the Renewable Supplier specified in the GSA Service Agreement
2. GSA Bill Credit – the energy produced by the GSA Facility in each hour of the prior billing month times the Hourly Rate credit, described below.
3. GSA Administrative Charge – the applicable monthly administrative charge shall be $375 per Customer Account, plus an additional $50 charge per additional account billed

BILL CREDIT

The GSA Bill Credit will be set at the day-ahead real time Hourly Rate as calculated by the Company based upon the following methodology for the full duration of the GSA Service Agreement.

The Hourly Rate shall be determined based upon the following formula:

Hourly RTP Rate	=	MENERGY + CAP
where:		
MENERGY	=	Marginal Energy Cost per kilowatt-hour including marginal fuel and variable operating and maintenance expenses
CAP	=	Tiered Capacity Charge per kilowatt-hour applicable whenever the day-ahead forecast of the ratio of hourly available generation to hourly demand is equal or less than 1.15

The hourly RTP rate will not, under any circumstances, be lowered than zero.

The allocation of Program Capacity and Monthly Rates will be determined as follows for customers with multiple participating accounts under a single Application:

a) The GSA customer shall advise Company of the allocation to each individual account served under the Application of the total generation capacity acquired by the GSA customer, and the corresponding GSA Product Charge and Bill Credit. This allocation shall be subject to adjustment, no more often than annually, upon the provision of 60 days' prior written notice by the GSA Customer to the Company.

b) The total GSA Administrative Charge for all applicable accounts shall be billed separately to each account at the same allocated proportions as used to allocate the capacity, GSA Product Charge, and Bill Credit.

GENERAL PROVISIONS

The parties shall perform such other obligations as are specified in the GSA Service Agreement. For the avoidance of doubt, the Company shall not be liable to the Customer if a GSA Facility fails to produce renewable energy as required under a GSA PPA or otherwise consistent with the Customer's expectations.

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GREEN SOURCE ADVANTAGE (SC)

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GREEN SOURCE ADVANTAGE (SC)

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GREEN SOURCE ADVANTAGE (SC)

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